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CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST

Date: MAY 2 1951

- NOTE:
1. This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence.
 2. Comments represent the preliminary views of the Office of Current Intelligence.
 3. Marginal letter indications are defined as follows:
 - "A" - items indicating Soviet-Communist intentions or capabilities
 - "B" - important regional developments not necessarily related to Soviet/Communist intentions or capabilities
 - "C" - other information indicating trends and potential developments

*Army, USAF and State Dept
reviews completed*

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SECTION 1 (SOVIET)

"A" EASTERN EUROPE. CZECHOSLOVAKIA-GERMANY. Retaliatory Action for Oatis in Germany Declared Ineffective. In response to several State Department suggestions regarding possible retaliatory action in Germany for the arrest of Oatis by the Czechoslovak Government, Commissioner McCloy has replied that he feels any such action would be too indirect to be effective. He points out that many local questions exist between Germany and Czechoslovakia which any retaliatory action would inevitably affect. Independently of the Oatis case, McCloy proposes to continue the reduction of Czechoslovak Consular personnel in Western Germany and to proceed against unofficial Czechoslovak trade representatives for collusion in illegal East-West trade. Mr. McCloy warns that the possibility of Czechoslovak retaliation in their trade commitments to Western Germany must be weighed, especially in regard to exports of brown coal, which is essential to Bavarian industry. (S Frankfurt 8773, 1 May 51; S State to Frankfurt 7262, 27 Apr 51). COMMENT: The concessions which the Hungarian Government was able to exact from the US as a result of the Vogeler arrest, plus the scarcity of means for effective retaliatory action, may have helped to motivate the Czechoslovak authorities to act against Oatis.

"C" RUMANIA. Italians Threaten Diplomatic Break. The Italian Minister in Bucharest has protested the arrest on 27 April of an Italian Legation clerk and has threatened to break diplomatic relations. According to the US Charge, [REDACTED] 25X1

[REDACTED] (S Bucharest 712, 30 Apr 51). COMMENT: It would appear that the Italian Government is not on firm diplomatic grounds in its threat to break relations, since the activities of the clerk as reported cannot be justified from a strictly diplomatic standpoint.

"B" YUGOSLAVIA. Kardelj Reviews May Day Parade to Avoid Hierarchical Embarrassment. Ambassador Allen believes that Kardelj's return to Belgrade to review the May Day Parade, despite his infirmity, is due in part to the awkwardness resulting from the necessity to decide between Rankovic and Djilas as to the principal government official in the absence of both Tito and Kardelj. Allen notes that, although Rankovic is still listed as the third ranking Politburo member, Djilas is being increasingly used to represent the government in the absence of Tito and Kardelj. Allen explains that this does not mean that Rankovic is losing status in the inner circles of the Party, but that he is limited in interests and ability, while Djilas' standing appears to be rising. (S Belgrade 1597, 30 Apr 51). COMMENT: Rankovic as Minister of the Interior wields considerable power but enjoys no popular support. Djilas, on the other hand, as a young theoretician and faithful Titoist adherent not only is popular within the Party, but also is extremely useful in the present troubled times when the leadership, leaning increasingly toward the West, must justify each move to its Communist following on theoretical as well as practical grounds.

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CURRENT COMMUNISM AND PROPAGANDA: Lie Will Not Meet World Peace Council Delegation at UN Headquarters. Asked by the US delegation to the UN what the Secretary General's attitude would be if the World Peace Council (WPC) delegation pursued its expressed intention of coming to UN headquarters to present demands for changes in UN policy, a spokesman for Lie said that Lie had given the WPC the full opportunity to discuss matters with him in Paris and accordingly would not agree to meet the delegation in New York. Lie was said to have no objection should the US deny visas to delegation members for the purpose of such a visit. (S SD New York 1149, 25 Apr 51). COMMENT: The WPC deliberately avoided meeting with Lie in Paris, apparently feeling that the propaganda effect of its demands to the UN would be greater if presented at UN headquarters.

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SECTION 2 (EASTERN)

99A 99 IRAN. May Day Demonstrators Hail USSR. May Day demonstrators, presumably led by the pro-Soviet Tudeh Party, cheered enthusiastically for three hours as amplifiers blared Communist slogans in Parliament Square in Tehran. "Peace", however, was the dominant theme of the afternoon. To avoid any doubt concerning the Tudeh's attitude toward Dr. Mossadeq, the new Premier, several speakers referred to him derisively as the "weeping leader of the so-called National Front." (U New York Times, 2 May 51). COMMENT: Mossadeq, an enthusiastic supporter of freedom of speech and expression, had refused to permit the imposition of a police ban on the May Day celebration (See OCI Daily Digest, 30 Apr 51). The demonstration was more orderly than some observers had anticipated.



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INDIA. Kashmir Constituent Assembly Called in Defiance of the UN Security Council. On 1 May, according to press reports, Crown Prince Karen Singh, acting ruler of Kashmir, issued an official proclamation convening the Kashmir Constituent Assembly, a meeting of which, according to the proclamation, can no longer be delayed without detriment to the future well-being of the State. Delegates to the Assembly are to be elected by universal suffrage. The duties of the Assembly are to draw up a constitution for Kashmir. (U New York Times, 2 May 51). COMMENT: The Government of Kashmir, presumably with Indian inspiration, took this action just one day after the appointment of Dr. Frank Graham as UN Representative in Kashmir (See OCI Daily Digest, 1 May 51) and in open defiance of the known wishes of the UN Security Council, which has feared that such an Assembly would act unilaterally to ratify Kashmir's accession to India and thereby further complicate solution of the Kashmir problem. It is not yet known whether the proclamation specifically charged the Assembly with ratifying the accession, but the matter will probably come up during its meeting. By inspiring or supporting the Kashmiri move, the Government of India is apparently reiterating its dislike of the US-UK Resolution on Kashmir passed by the UN Security Council on 30 March 1951, and is in effect slapping the SC's face. India's confidence in its ability to flout successfully the wishes of the UN SC may stem from a recent study reportedly made by the Indian Government of its relations with the UN. Pakistani reaction to the proclamation convening the Kashmir Assembly will probably be immediate and violent.

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CHINA. US Nationals in Communist Prisons. A missionary arriving Hong Kong after three months' imprisonment in Kwangtung reports the probable death of her husband at Communist hands and the continued imprisonment of four other US missionaries in Kwangtung. (C Hong Kong 3208, 30 Apr 51). COMMENT: The O/CI Daily Digest of 10 April reported the arrest of these six US nationals. If confirmed, the

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above will be the second recent death by "suicide" of an imprisoned US missionary. There are 33 Americans now known to be imprisoned in China Proper - most of them missionaries - in addition to several thousands of US troops captured by Communist forces in Korea and believed to be interned in Manchuria.

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Communist China's Railroad to Indochina Reported Completed.

[redacted] the US Consul General in Hong Kong that the railroad from Laiping (in Kwangsi Province) to the Indochina border at Chennankuan has been completed by using rails taken from a section of another line in Kweichow Province.

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[redacted] the line from Nanning to the Indochina border is the same narrow gauge that is used in Indochina railroads (C State Hong Kong 3209, 30 Apr. 51). COMMENT: This line was previously reported scheduled for completion by the end of April. A report of October 1950 supports [redacted] that the Communists had to tear up another line to complete this new one to the Indochina border. This is the only report, however, which indicates that a section of the line is narrow gauge. If true, this would necessitate transshipping at Nanning.

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Communist Press Warns of Possible US and KMT Landings on Hainan.

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[redacted] Hainan Island on 2 March, states that the New Hainan Daily published an editorial warning possible landings by US and KMT troops on the island. [redacted] stated that defensive measures undertaken on Hainan, prior to

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[redacted] included (1) suppression of guerrillas, who have been active on the island since December 1950, by thousands of recently-arrived Kwangsi troops; (2) reconstruction of some coastal fortifications; (3) rebuilding of highways, which was intensified in early February with the use of conscripted labor; and (4) continuing reconstruction of airfields, although no Communist aircraft were seen. (C State Hong Kong Despatch 1414, 28 Mar 51). COMMENT: This report is plausible and is generally supported by other information on Hainan Island, except for the reported absence of aircraft activity. Communist efforts to "secure" Hainan Island are similar to those reported along the mainland coast. This is the first report that a Communist newspaper has warned of a US or KMT invasion of Hainan Island.

"A"

New Rumor of Mao's Death Conflicts with his Reported May Day Appearance. According to [redacted] US Consul General in Hong Kong [redacted]

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[redacted] Mao Tse-tung became seriously ill on 20 March, his illness was diagnosed as "debility, coronary thrombosis and hypertension with danger of motor paralysis", and despite the efforts

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of two physicians sent from Moscow by air, he died 26 March at his Hsiangshan residence. (C Hong Kong 3234, 1 May 51). COMMENT: The above report is the latest in a recent series of rumors on the whereabouts and condition of Red China's leader; like the others it is without confirmation and the Consul General Hong Kong has made no attempt to evaluate it because of lack of information

25X1 [] The Peiping radio on 1 May, however, stated that Mao was present at the May Day celebrations in Peiping personally and greeted the 600,000 paraders who passed in review during a six-hour demonstration. The last officially confirmed observation of Mao was at a 26 January celebration of India's independence held by the Indian ambassador in Peiping.

"B" KOREA. Enemy Twin-jet Fighter Intercepts US Light Bomber in Western Korea. A delayed report from the US Far Eastern Air Forces reports an attack made on a US B-26 light bomber southeast of Pyongyang on 24 April. A twin-jet fighter made two firing passes on the UN bomber a little before midnight on the 24th. Although no damage was inflicted by the enemy, the gunner on the B-26 claims to have scored hits on the fuselage and wings of the enemy aircraft. Later interrogation of the B-26 crew resulted in a field evaluation of the attacking aircraft as either a conventional LA-9 fighter with twin pulse-jets or more probably a Soviet Type-8 Twin-jet fighter, resembling a German ME-262. (S FEAF AX 7000, 30 Apr 51). COMMENT: There have been no previous reports of encounters with twin-jet fighter aircraft in the course of Korean air operations. The possibility of the appearance of an LA-9 fighter with twin pulse-jets or a Type-8 fighter is extremely remote. The likelihood of the airplane being an MIG-9 or MIG-15 with outboard fuel tanks is more credible.

"B" Prisoners Taken from North Korean Tank Units. Two North Korean prisoners, reportedly from the North Korean 17th Mechanized Division, were captured about 5 miles northwest of Seoul on 1 May. The prisoners were suffering from combat fatigue. (S DA CINCPAC Telecon 4665, 2 May 51). COMMENT: Although no armor has been contacted in this area, five tanks were observed on 1 May some 10 miles east of the location where these prisoners were captured. Identification of the 17th Mechanized Division in the forward area may indicate that tanks contacted on 1 May were actually subordinate to this North Korean unit.

"C" New Chinese Communist Unit Identification in Korea Probably Represents Replacement Unit. A number of Chinese prisoners, captured northeast of Seoul in the sector occupied by the Chinese Communist 3rd Army Group, have claimed to be

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members of the 45th Division of the 15th Army, 4th Army Group, 2nd Field Army. (S DA CINCFE Telecon 4665, 2 May 51). COMMENT: The 15th Army, 4th Army Group, was last reliably reported along the Indochina border. FECOM believes that these prisoners are actually replacements for the 10th Army, 3rd Army Group.

"C"

ROK "National Defense Army" and "Home Defense Corps" Dissolved. Reuters reports that the ROK National Assembly on 30 April voted to dissolve the "National Defense Army" and the "Home Defense Corps." The former is a national guard type of organization while the latter is an anti-Communist civilian youth group. Originally, the members of both bodies were unarmed but now many have weapons, particularly those individuals in guerrilla-infested areas. Members of the dissolved organizations are to be drafted into the regular army. (R FBIS Advance Ticker, 1 May 51). COMMENT: The leaders of both organizations have been involved in recent scandals and have long been accused of employing their respective positions for private political purposes. The National Assembly's action will put a halt to attempts to create private armies.

"B"

Communist Self-Criticism Reveals Disruption of North Korean Internal Economy. A 27 April editorial in a North Korean government newspaper severely criticized the "Consumer Cooperative Societies" of North Korea for their failure to "procure daily necessities and other goods for the people." The editorial attributed this failure to "the lack of ingenious efforts on the part of the workers" rather than to lack of capital or shortages. The "Societies" were castigated for reaching only one-third of their assigned quotas for the first quarter of 1951. (R FBIB Editorial in NODUNG SINMUN, official North Korean government organ - 1 May 51). COMMENT: While such criticism is customary in any Communist society, the revelation that the "Consumers Cooperatives", the basic unit of economic distribution in North Korea, had attained only a small percentage of their goal indicates the extent of internal disruption in the North Korean economic system. The attributing of these "failures" to the "workers" rather than to any lack of capital or shortages is seen as a move to divert popular unrest at economic difficulties from the Communist leaders.

"B"

JAPAN. SCAP Authorizes Review of Occupation Directives. In a Constitution Day message to the Japanese people, SCAP disclosed on 1 May that he has authorized the Japanese Government to review existing ordinances, which have been issued in implementation of SCAP directives, for the purpose of effecting modifications as necessary and desirable. (P Tokyo 1904, 1 May 51). COMMENT: The Japanese have consistently complained that many of the

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SCAP-directed reforms, especially those instituted in the early days of the Occupation, did not take into account special conditions in Japan, or have been outmoded by subsequent events. SCAP's authorization appears to be aimed essentially at the so-called "Potsdam Ordinances" issued by the Cabinet but never submitted to the Diet because of their temporary nature or because of strong political opposition. These ordinances can now be modified without Diet action (e.g., the purge directives). Primary targets for modification include police, education and anti-cartels reforms, all of which will require Diet consideration. Consideration may also be given to legislation which will restrict or prevent the Communists from exploiting the freedoms granted the Japanese people under the Occupation.

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SECTION 3 (WESTERN)

"B" GERMANY. SED Speculation Over Possibility of New Berlin Blockade.
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Germany, during the latter part of April the Central Committee of the East German Socialist Unity Party (SED) speculated over the possibility of a new blockade of Berlin, arguing that the US at present is not able, financially or technically, to conduct another air-lift and that a Berlin blockade would be a means of exerting pressure on the West at the Big Four conference in Paris.

COMMENT: Since the lifting of the Berlin blockade in May 1949, Soviet tactics in Berlin have included intermittent harassing measures such as temporary interference with Allied access to west Berlin. There is no evidence available at present to conclude that the above report indicates more than SED discussion of methods by which pressure could be exerted on the West.

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"B" Possible Federal Ban of Neo-Nazi Party. US officials in Bonn report that the neo-Nazi Socialist Reich Party (SRP) may well be banned by the West German Government within the next four days unless Chancellor Adenauer decides differently. Government officials have been alarmed over the prospects of the party in the Lower Saxony elections scheduled for next Sunday (OCI Daily Digest, 1 May 51). Federal Minister of Interior Robert Lehr has favored a federal ban of the SRP prior to the election, largely in view of the reluctance of the Lower Saxony Premier to take action in his Land, and Lehr claims Adenauer's support in this policy. There is still disagreement in Bonn, however, on the legality of a federal ban, which would be taken under the article of the Basic Law prohibiting associations "the objects or activities of which conflict with the criminal laws or are directed against the constitutional order or the concept of international understanding." Local US observers cite further reasons for SRP strength in Lower Saxony (e.g, it is an exceptionally nationalistic area, has poor economic conditions, and is overpopulated by refugees), adding that "any success that the SRP scores in the 6 May election should not be interpreted as any serious overall revival of the extreme right, at least in the absence of further evidence." (C Bonn 800, 1 May 51). COMMENT: Despite Lehr's claim of Adenauer's support, Adenauer has previously taken the view that there must be evidence of punishable acts before the SRP can be declared illegal, and on 30 April he told a press conference that a ban is a matter for the Land and not the Federal Government to decide.

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"A" FRANCE. France Announced "Independent" Communist Group has Nuisance Value. A dissident French Communist group appeared in the mining area of the Department of Nord 29 April headed by Charles Lemoine, former member of the French Communist Party (PCF) central committee who left the Party in 1945. Some 400 miners attended a rally called by Lemoine and his supporters, and the identity of certain "political figures" who are members will be divulged later. A delegation is to attend the congress in Rome of Italian Communist dissidents. This French group echoes the Cucchi-Magnani line that "national frontiers will be defended against any and all aggressors", contrary to Thorez' injunctions for no war against the USSR under any circumstances. An incipient deviationist movement with the French Communist Party (PCF), with substantial membership in the Department of Nord, has already drawn the public censure of PCF officials. Its aim is to evolve a program for France along what are regarded as pure Leninist lines - a French national communism tied to no foreign power. This movement was reported to be planning clandestine action within the PCF and the Communist-directed labor union (CGT) in the hope of detaching members one by one, and to be far from harboring any hopes of creating an effective split within the Party or the CGT at this time. Only in the unlikely event that some "big name" Communists should join would the movement have any possibility of establishing a separate party. (C Paris 6621, 30 Apr 51; U NY Times, 1 May 51; R London, Reuters radioteletype, 29 Apr 51; TS Paris Emb dispatch 2984, 16 Apr 51). COMMENT: Deviationism within the PCF was reported in February (see OCF Daily Digest, 27 Feb 51). It is not likely that this break-away will disclose the defection of any first-line Communists. Neither an early disintegration of the PCF nor a nullification of its influence on the French political scene is likely to result from this incident in the Nord or from the continued existence of the deviationist movement. The PCF will, however, be considerably embarrassed in the forthcoming electoral campaign.

"B" De Gaulle Criticizes Allied Use of French Bases. General De Gaulle asked on 1 May for strict limitation of Allied use of air bases in France and North Africa in a vigorous speech opening his party's electoral campaign. He accepted the necessity of the Atlantic alliance, but took as his motto "security against the adversary, independence with regard to the allies". He also attacked party government as such, and suggested an appeal to the country for another type of government. This suggestion of a basic change in the form of government is being interpreted as a bid for personal power, based upon some form of plebiscite. (U NY Times, 2 May 51). COMMENT: De Gaulle's dissatisfaction with France's role in Western defense efforts has been consistent, but this is his first direct attack on US base agreements. Furthermore, he has called for an increase in

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the tempo and size of the French defense effort, permission for the Germans to build a national army to be integrated in the NATO forces, and a contribution by Spain to an integrated western defense. He fears that strategic planning for western Europe envisages the building up of defense areas in the UK, Brittany, and Spain, from which an overrun France would again have to be liberated. In specifically opposing present air base commitments, De Gaulle will lend credence to an argument already being emphasized by the French Communist Party. De Gaulle and the Communists will have a strong appeal to extreme nationalistic and neutralist sentiment in France, at the expense of the current "Third Force" Government.

"C"

Quick Adoption of Revised Electoral Reform Bill Anticipated.

A final decision on the issue whether electoral reform is to be achieved this spring should be "at hand" by the end of this week. The revised reform bill, which Premier Quetille made the subject of a vote of confidence, passed the first reading in the Assembly yesterday with 28 votes to spare and is expected to do equally well on the second reading, even if the Council of the Republic again disapproves it by an absolute majority. Although the non-Communist Paris press generally considers that the bill "satisfies no one", these papers unanimously demand its "quick adoption". (C Paris 6631, 1 May 51; U Paris 6619, 30 Apr 51). COMMENT: This preliminary success for the modified bill was expected after the coalition parties tightened discipline. Final passage of the measure this week would create a better than even chance that elections will be held in the second half of June, although the present Assembly apparently intends to schedule the traditionally comprehensive debates on the numerous ministries' budgets remaining to be considered.

"B"

ITALY. Communist and Non-Communist Labor Unions Join Forces on Economic Issues. Following the Italian Government's rejection of the non-Communist labor unions' demands, the latter and the Communists have agreed to call a 24-hour strike of Government workers on 8 May. Essential services, however, will be curtailed for only a brief period. Pastore, Secretary General of the most important non-Communist labor union, has denied any implication of unity of action with the Communists and intends to avoid giving the scheduled strike any political coloring. (R Rome 4908, 30 Apr 51). COMMENT: As indicated in OCI Daily Digest, 30 Apr 51, labor's increasing dissatisfaction over economic conditions is giving the Communists the opportunity to seize the initiative again in the labor field and is forcing the more conservative unions to follow in their wake. This situation would appear to favor the achievement of one of the Communist priority objectives, namely, unity of action of all labor groups, toward which Communist activity had recently been ineffective. Government ineptness in

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labor-management relations and its over-cautious financial orthodoxy will also work in favor of Communist tactics. In the end the Government will probably be forced to grant part of its employees' demands and the credit will accrue to the Communists.

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Merger of Democratic Socialists to Strengthen Anti-Communist Parties at Forthcoming Local Elections. The unification of anti-Communist Socialist forces was consummated on 1 May by the merger of the Saragat Socialists (PSLI) and the Unitary Socialists (PSU) into a new party — the Socialist Party, Italian Section of the Socialist International (PS-SIS) — with Saragat and PSU leader Romita as secretaries. This new party, whose merger was strongly opposed by PSLI right-wing leaders and PSU left-wing leaders, including Silone, is pledged to support the pro-Western policy of the government but will offer "constructive opposition" on socio-economic domestic issues. In view of the PS-SIS's alliance with the other anti-Communist parties, including the Christian Democrats, in most of the 58 provinces in which local elections will be held 27 May — 10 June, the merger is expected to prevent the dispersion of votes. (R FBIS, 1 May 51; U NY Times, 2 May 51). COMMENT: The merger should contribute substantially toward the potentiality of the anti-Communist electoral bloc for swinging a sizeable part of the popular vote from the Communists to the anti-Communist forces. At the same time the PS-SIS may cut into the Christian Democratic vote by attracting the support of progressive elements. These elements heretofore have been pro-Christian Democrat but have been dissatisfied with this party's failure to effect socio-economic reforms on a nation-wide scale.

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ARGENTINA. Defense Minister's Wife Arrested for Underground Activities. On 28 April the wife of General Humberto Sosa Molina, Argentine Minister of National Defense, was arrested on suspicion of carrying out underground activities. () Comment: On 10 April () reported that Peron had warned General Sosa Molina and others who opposed Mrs. Peron as candidate for Vice-President that they would have to accept her candidacy or suffer the consequences.) On 27 April others were arrested on charges of conspiracy and intent to assassinate President and Mrs. Peron. ()
COMMENT: General Sosa Molina is the spokesman of an army group which has opposed Mrs. Peron's activities for several years. In a showdown

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between this group and the Peróns on this issue two years ago, it was agreed that Evita would confine herself to welfare activities — an agreement which was kept for only a short time. There is no evidence that Sosa Molina has the support of the majority of the Army, although in the past the Army has favored the selection of Colonel Domingo Mercante, Governor of the important Province of Buenos Aires, for Vice-President. The reported arrests are another indication (see Daily Digest, 10 Mar 51) of political instability that is increasing with the inauguration of the 1952 president campaign.

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CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE
DAILY DIGEST OF SIGNIFICANT S/S CABLES

2 May 1951

SECTION 2 (EASTERN)

"B" EGYPT. Outbreaks Feared from Lack of Progress on Anglo-Egyptian Defense Talks. According to US Ambassador Caffery in Cairo, Foreign Minister Salaheddin has personally indicated his untenable position in regard to the Anglo-Egyptian defense talks. (See OCI Daily Digest, 23 and 27 Apr 51). Salaheddin told Caffery that he would try "to keep things under control" when he faced the Egyptian Parliament this week. Salaheddin warned that while the students and inflammable public had so far kept quiet, they would not do so indefinitely, and he did not want "frightening explosions to occur" in Egypt "as are now taking place in Iran." Salaheddin stated that the British hoped to avoid replying to Egypt's counter-proposals for at least two or three months, but that he himself could not wait that long. If the British reply has not been received by early June, Salaheddin said he would propose to Prime Minister Nahas Pasha that Egypt break off the negotiations and denounce the 1936 Anglo-Egyptian Treaty. Salaheddin added that, if his advice at that time was not accepted, he would resign. (TS S/S Cairo 1118, 1 May 51). COMMENT: The domestic situation in Egypt — influenced by recent events in Iran — is certainly not favorable for an indefinite prolongation of the Anglo-Egyptian treaty discussions when there is no indication that Egypt and the UK can reach a compromise agreement for some time to come. The fact that Egyptian Government officials have publicly adopted an extreme position, while secretly indicating a more moderate position, has finally resulted in an increasingly untenable position for the Wafd Government.

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